

**BEFORE THE INSURANCE COMMISSIONER
FOR THE STATE OF ARKANSAS**

**IN THE MATTER OF THE
REPORT OF EXAMINATION
OF GIBRALTAR NATIONAL
INSURANCE COMPANY**

A.I.D. NO: 2008- 048

ADOPTION ORDER

Now on this day the matter of the Report of Examination as of September 30, 2007 (“Report”) of Gibraltar National Insurance Company, Little Rock, Arkansas, (“Company”), NAIC No. 35360, is taken under consideration by Julie Benafield Bowman, Insurance Commissioner for the State of Arkansas (“Commissioner”), as presented by the Finance Division and Amanda Capps Rose, Associate Counsel, of the Arkansas Insurance Department (“Department”). From the facts, matters and other things before her, the Commissioner finds as follows:

FINDINGS OF FACT

1. That the Commissioner has jurisdiction over the Company and the subject matter involved herein;
2. That the Company is an Arkansas domiciled stock legal reserve insurer authorized to issue contracts of property and casualty (including workers’ compensation) and marine insurance;
3. That pursuant to Ark. Code Ann. §§ 23-61-201, *et seq.*, the Commissioner authorized and directed the Department to conduct a regular examination of the affairs, transactions, accounts, records and assets of the Company as of September 30, 2007;
4. That said examination was commenced by the Department on October 22, 2007 and completed on April 21, 2008;

5. That the verified Report of Examination was filed with the Department on May 14, 2008. The Report was forwarded to the Company via certified mail on May 15, 2008 and was received by the Company on March 16, 2008;
6. That the Company filed written rebuttal and comments to certain of the findings of the Report with the Department's Finance Division on May 30, 2008; and
7. That the Report of Examination contains the following comments or discrepancies regarding the Company's operation:
 - a. That the Company included future installments of premium receivables as of September 30, 2007 that related to premium receivables that exceeded ninety (90) days, which is not in accordance with SSAP #6, paragraph 9(a). This failure to comply with SSAP #6, paragraph 9(a) was subsequently remedied;
 - b. That the Company significantly overvalued its investment in Great Western LLC, as of December 31, 2006;
 - c. That the Company's net loss and loss adjustment expense (LAE) reserves were deficient as of September 30, 2007, resulting in an increase to the Company's net loss and LAE reserves and a deduction of the Company's surplus in the amount of \$579,692; and
 - d. A recalculation of the unaffiliated workers' compensation unearned premium resulted in an increase to the Company's unearned premium reserves and a deduction of the Company's surplus in the amount of \$14,105.

CONCLUSIONS OF LAW

1. That the Commissioner and the Department have jurisdiction over the parties and the subject matter contained herein; and

2. That this Order has been properly entered in accordance with the Arkansas Insurance Code and Department Rules.

THEREFORE, pursuant to the provisions of Ark. Code Ann. § 23-61-205, the Commissioner hereby orders:

1. That the Examination Report, as filed with the Department, is hereby adopted;
2. That, with regard to the items in Findings of Fact, given the overvaluation of Great Western LLC, in addition to an annual audit, a quarterly review of Great Western LLC shall be performed by the independent auditor. The quarterly review shall be filed with the Department along with the Company's quarterly statutory financial statement;
3. In future filed financial statements, the Company shall establish its loss and loss adjustment expense reserves using generally accepted actuarial practices and based on reasonable assumptions that are consistent with the Company's past loss experience.
4. That the Department shall forward a copy of this Order and the adopted Examination Report to the Company via certified mail and that the mailing to the Company shall include specimen affidavit forms for the Company's directors to use in acknowledgement of the receipt of the mailing and its enclosures;
5. That within twenty (20) days of its receipt of this Order and the adopted Examination Report, the Company shall file with the Department affidavits executed by each of its Directors stating under oath that they have received a copy of this Order and the adopted Examination Report, as required by Ark. Code Ann. §23-61-205(b)(1);
6. That the adopted Examination Report will be open for public inspection upon the expiration of thirty (30) days from the Company's receipt of this Order; and

7. That the Department, as a matter of course, reserves the right to consider other administrative proceedings against the Company at a later date, although none are contemplated at this time.

IT IS SO ORDERED this 30th day of June, 2008.



**JULIE BENAFIELD BOWMAN
INSURANCE COMMISSIONER
STATE OF ARKANSAS**